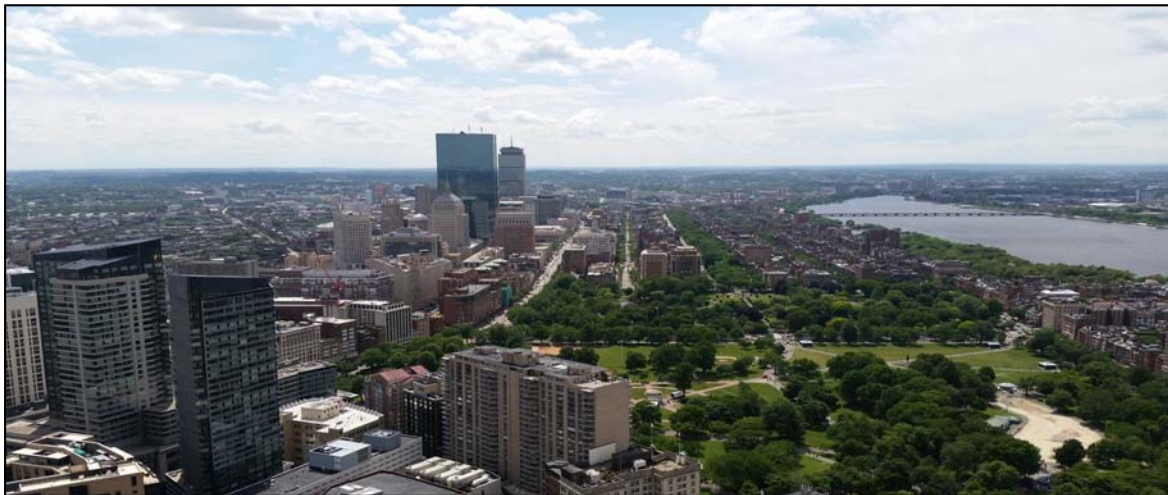


Insurance Fraud Bureau of Massachusetts

2016 Annual Report



101 Arch Street • Boston, Massachusetts 02110 • www.ifb.org



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Executive Summary

During 2016, the Insurance Fraud Bureau of Massachusetts (IFB) celebrated its 25th year of operation combatting the impacts of insurance fraud in the Commonwealth. Over these years, through the IFB's efforts, major schemes and patterns of insurance fraud have been uncovered, investigated, and referred for prosecution to the Attorney General, the United States Attorney, and District Attorneys around the state. In 2016 alone, 245 cases of insurance fraud have been referred for prosecution, the largest number of completed cases referred in any single year.

To mark the 25th anniversary, the IFB held its quinquennial awards presentation to honor those who have been most helpful in furthering the fraud fight here in Massachusetts over the past five years. Altogether, 73 individuals from the insurance industry and law enforcement were honored at this event at the John Joseph Moakley Court House in Boston.

To continue its mission of providing ongoing training and focus on new fraud trends and investigative techniques, the IFB held its 31st seminar in the fall of 2016.

While we continue to focus on the traditional types of fraud seen in automobile and workers' compensation insurance, we have lately been involved with an emerging pattern of insurance fraud involving overtreatment or over prescription of opioid drugs. The IFB focus on several large opioid cases in Western Massachusetts was in concert with several district attorneys in that part of the state.

In the following pages, you can delve further into the activities of the IFB. We are thankful for the partnership we have with the insurance industry, in particular the Special Investigation Unit community, and with our various law enforcement partners at local, state and federal levels.

Daniel J. Johnston

Executive Director

Highlights of 2016

Milestones reached in 2016:

- ◇ The IFB observed its 25th anniversary with an awards ceremony held on May 26, 2016. Seventy-three individuals from the insurance industry, law enforcement agencies and prosecutorial offices were recognized “for outstanding and invaluable contributions toward the fight against insurance fraud in Massachusetts.” Award recipients represented individuals who made significant contributions to the IFB’s mission to investigate, prevent and deter insurance fraud.
- ◇ Over the past 25 years, the IFB has received more than 70,800 referrals from insurers, law enforcement, regulators, professionals and the public. Since inception, 3,653 individuals have been charged, either through indictment or complaint, on insurance fraud and related charges. Of those charged, 950 convictions have resulted with 1,086 other cases continued without a finding.
- ◇ In 2016, 245 cases, the highest yearly total to date, were recommended for prosecution to the offices of the Attorney General, United States Attorney and District Attorneys. 197 individuals were charged including 18 indictments returned and 179 complaints issued. 136 individuals reached a final disposition (including 18 convictions and 58 continued without a finding).



In a joint collaboration including the IFB, New England Chapter of the International Association of Special Investigation Units (NEIASIU) and the National Insurance Crime Bureau (NICB), speakers and support were provided for the New England Fraud Expo; a training seminar on topics including automobile, workers’ compensation, and provider fraud. This two day training program was attended by over 250 people.

The IFB presented its 31st seminar. One hundred seventeen attendees learned about vehicle security systems, keyless ignition vehicles and event data recorders and how these new technologies can aid in the detection of fraudulent automobile claims.

IFB management continue to provide training and participated in and/or presented at the New England Association of Insurance Fraud Investigators (NEAIFI) annual conference, 2016 North American Iron Workers/IMPACT Labor Management Conference, Office of Consumer Affairs and Business Regulations, Boston Chapter CFE and NEAIFI training workshops, insurance companies and local police new recruit and roll call training. Attendance at seminars and workshops also aided IFB staff in increasing knowledge of new and trending fraud schemes and maintaining a level of networking with fellow fraud investigators.

In 2016 the IFB and the Office of the Attorney General formed a Task Force on Auto Body Shop Fraud. The kickoff meeting was attended by approximately 60 representatives from sixteen insurance companies.

An IFB investigator was one of the recipients recognized by the Massachusetts U.S. Attorney’s Office at the Law Enforcement/Public Service Awards Ceremony held in March 2016 which recognized outstanding federal, state and local law enforcement officials.

Referral Summary

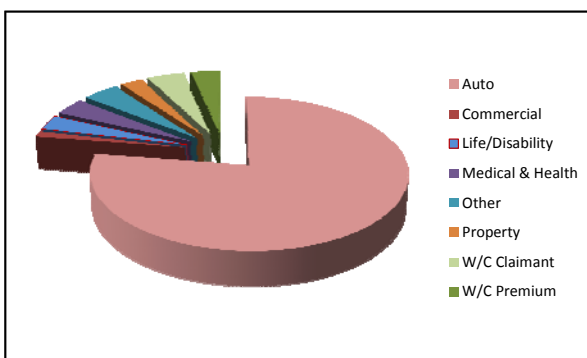
The IFB received 3,563 referrals from all sources in 2016. The primary source of referrals are from insurance carriers; 3,058 referrals were received through direct submission by the insurance carrier or funneled through the websites of the National Insurance Crime Bureau and the National Association of Insurance Commissioners. Many carriers now submit information electronically, either via mail (CD or flash drive), a secured FTP site or secured email to referrals@ifb.org.

Reports of suspected insurance fraud are also received from law enforcement and public agencies as well as the general public. Private citizens are encouraged to report possible fraud to the IFB hotline at 1-800-32FRAUD or through the IFB website at www.ifb.org.

Each allegation of insurance fraud received is evaluated. Referrals may be declined for investigation due to lack of evidence of criminal insurance fraud or insufficient information provided with the referral. Information from referrals may also be forwarded to another agency better equipped to handle the allegation. The referrals accepted for investigation are deemed to be the most viable for successful prosecution and the total impact of the case.

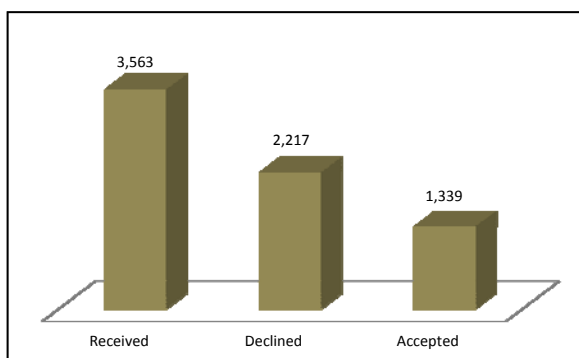
Since inception of the IFB, more than 70,800 referrals have been received. Automobile claims continue to comprise the majority of referrals and account for approximately 74 percent of the total number. Workers' compensation referrals typically involve higher dollar impact cases.

Referrals Received in 2016

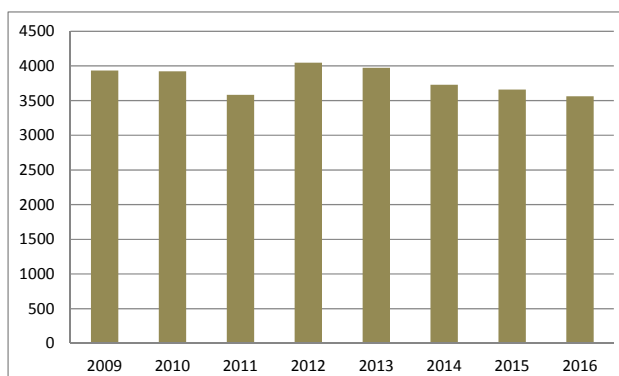


Auto	2,759
W/C Clmt	153
W/C Prem	120
Other	531
Total	3,563

Referral Activity in 2016

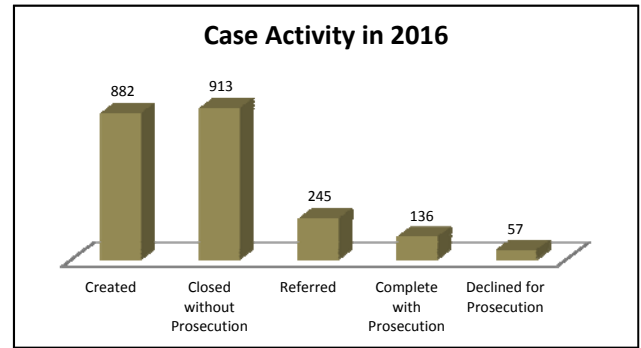


Referrals Received by Year



Case Summary

There were 1,556 cases under investigation in 2016 with 245 cases recommended for prosecution. Cases that did not meet the burden of proof required were closed without prosecution. Full staffing and a concerted effort to evaluate older pending cases resulted in the investigation of more than 400 cases over the prior year.



The caseload for an investigator includes cases under active investigation as well as cases referred to prosecution. Working with the prosecutor may involve location of witnesses, witness interviews, delivery of subpoenas and pursuing additional avenues of investigation. Case workloads change frequently with new cases created, assigned for investigation and closed.

The length of time a case is in wait or assigned status is influenced by the loss location and the type of case. Cases in the task forces (CIFIs) move faster through the process due to the type of fraud and the working relationship with local police and prosecutors. Investigations dealing with alleged provider fraud, workers' compensation premium and claimant fraud, and other types of insurance fraud can be more complex in nature. These cases are usually recommended for prosecution to the offices of the Attorney General and United States Attorney and may take longer to move through the process.

The following table depicts, for year-end 2016, the number of cases in inventory waiting to be assigned to an investigator and cases that are actively being worked.

Case Status by Unit/Task Force as of December 31, 2016

Unit/Task Force	Cases in Wait	Cases Assigned	Cases at a Prosecutor's Office	Active Cases
General Unit	347	50	18	68
Provider Fraud Unit	65	33	19	52
W/C Claimant Unit	14	6	6	12
W/C Premium Evasion Unit	27	43	27	70
Boston CIFI	137	74	75	149
Brockton CIFI	20	6	29	35
Chelsea/Revere CIFIs	17	2	4	6
Lawrence/Lowell CIFIs	52	21	31	52
Lynn CIFI	53	4	13	17
New Bedford/Fall River CIFI	123	54	35	89
Randolph CIFI	31	3	27	30
Western Massachusetts CIFI	188	56	49	105
Worcester CIFI	26	16	15	31
Total	1,100	368	348	716

Community Insurance Fraud Initiatives

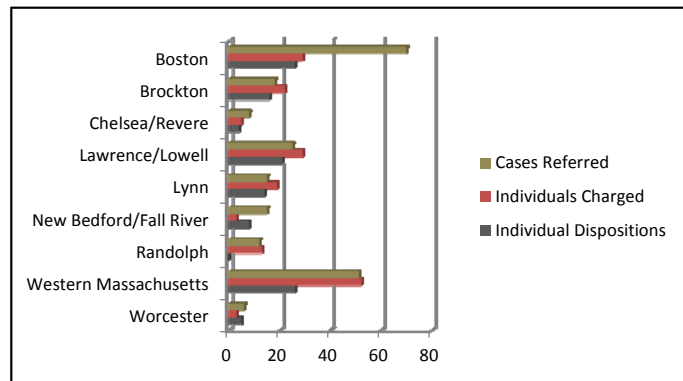
The Community Insurance Fraud Initiatives (CIFI), created in 2003, continue to find success at the local level. Though emphasis remains on automobile investigations within each CIFI town, some CIFIs also work with surrounding police departments. In addition, some jurisdictions also investigate workers' compensation, property and provider fraud at the community level. The largest CIFIs are in Boston and Western Massachusetts.

Boston handles automobile insurance fraud cases throughout Boston including its various neighborhoods. The Western Massachusetts CIFI investigates alleged fraud in the Western part of the state, with emphasis on Hampden and Western Massachusetts counties.

A few CIFI success stories from 2016 follow.

- ◇ A Haverhill man pleaded guilty to insurance fraud charges and was placed on probation for a year. The man sought a new insurance policy with added comprehensive coverage for his pickup after a tree limb fell on the vehicle. However, he contacted the Department of Public Works the day the tree limb fell, days before he sought coverage, and also submitted time-stamped photos from the actual date the tree limb fell to the carrier.
- ◇ A Worcester man pleaded guilty to motor vehicle insurance fraud and was sentenced to serve a year in jail, concurrent with an unrelated sentence. The man was riding in a Worcester transit bus when a side view mirror was struck by a passing vehicle. The Worcester man subsequently claimed severe injuries as a result of the incident. However, the bus surveillance showed no passengers jolted from the minor contact and most were completely unaware that the bus has made contact with another vehicle.
- ◇ A Lynn woman admitted to sufficient facts and was ordered to pay restitution after claiming her 1995 Chevrolet Cavalier was rear-ended by a Jeep Cherokee. However, the Jeep had no damage on it and a collision analysis concluded the two vehicles never made contact.
- ◇ A Lawrence woman admitted to sufficient facts and her case was continued without a finding for 18 months. She was ordered to pay \$2,040 in restitution. Initially the woman reported her 2000 Honda Civic was hit-while-parked. A forensic examination determined the damage was pre-existing. Then during the claim process she reported the vehicle stolen. The vehicle was subsequently recovered; but the ignition was not defeated and the correct key was necessary to operate the vehicle. The woman was in possession of the only key to the vehicle.

2016 Case and Prosecution Activity by CIFI



Details on additional cases can be found on the IFB website and in issues of *focusFraud*.

Health Care and Prescription Fraud

Over treating and over prescribing of narcotics and opioid drugs is an increasing problem throughout the Commonwealth. In 2016, the IFB played an integral role in the investigation of several high profile cases involving medical providers, nurses and medical personnel who abused narcotics and opioids or, in their various capacities, over prescribed drugs.

All of the following stories involved prescriptions of opioids or narcotics.

- ◇ A registered nurse pleaded guilty to 35 counts of uttering a false prescription for a controlled substance in connection with a scheme to fraudulently obtain prescription opioid medications. She was sentenced to three years probation and ordered to surrender her nursing license. She used a physician's prescription pad to fill forged prescriptions for thousands of painkillers including oxycodone, hydrocodone, hydromorphone and tramadol. The prescription pad was obtained while she was being seen as a patient.
- ◇ An ex-Ludlow doctor pleaded guilty to filing false health care claims. He was sentenced to two years probation. He was in Japan when he billed patients for services rendered.
- ◇ A Pittsfield woman admitted to sufficient facts on uttering a false prescription and pleaded guilty to uttering a false prescription, obtaining a drug by fraud and attempting to obtain a drug by fraud. She was sentenced to serve nine months in the House of Correction and two years probation. She admitted to faxing phony prescriptions, calling pharmacies identifying herself as a doctor, providing a falsified document purportedly from a psychologist stating she was incompetent to stand trial, and creating a phony voicemail and email address for a doctor, which were subsequently traced to her home address. The woman pleaded guilty to a total of 28 charges.
- ◇ An Easthampton mother and her daughter pleaded guilty to a total of 255 charges for a scheme to fill false narcotic prescriptions. The mother was sentenced to two years of house arrest. Her daughter was sentenced to 2 ½ years in the House of Correction, suspended for seven years with probation. They were both ordered to pay restitution and to remain drug-free and alcohol-free while on probation. The mother was an administrator at a medical practice when she obtained a prescription pad and then wrote prescriptions for herself and daughter.
- ◇ A Worthington woman admitted to sufficient facts and her case was continued without a finding for one year. Investigation revealed that the woman was a medical assistant who obtained back-up paper prescription pads located in a locked closet. Copies of prescriptions filled and issued to her were provided for dates over a seven month period. Each prescription contained the same Massachusetts identification number which identified the woman as the person who picked up the prescription. A review of the dates of written prescriptions did not correspond with any doctor visits.

Prosecution Summary

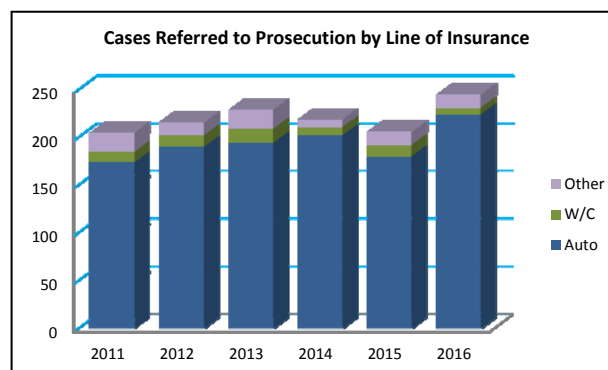
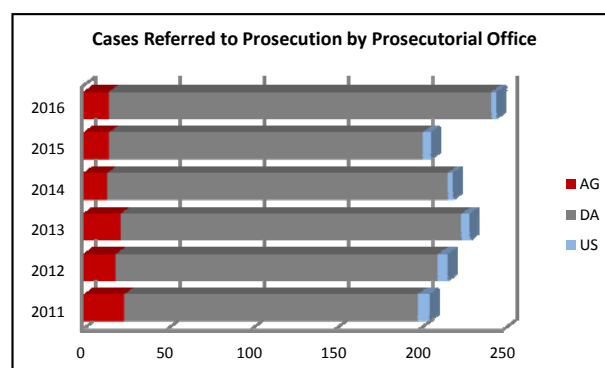
When the IFB case investigation is complete and a determination is made that sufficient evidence has been gathered, a recommendation is made to a prosecutorial office. The decision to recommend a case to the office of the Attorney General, United States Attorney or a District Attorney depends on the type, complexity and prosecutorial jurisdiction of the case. Prosecution activity may result in complaints issued or indictments returned. A case may conclude quickly as in single-vehicle, single-subject cases. However, in many instances, it may take months or years to achieve final disposition.

Cases Referred to Prosecution

In 2016, IFB referred 245 cases to prosecutors. CIFI-related case activity makes up the largest number of cases. These cases are predominantly staged automobile theft, hit-while-parked, and single-subject cases. In 2016, there were 227 cases referred to offices of District Attorneys.

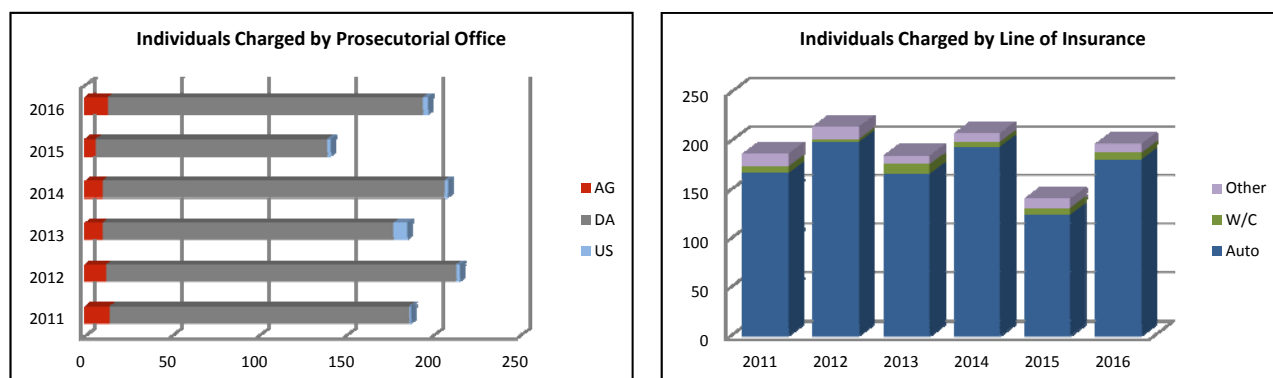
Three cases were referred to the United States Attorney's office and fifteen to the Massachusetts Attorney General's office.

Of the 245 cases referred to all prosecutors, 224 were classified as automobile, seven workers' compensation and fourteen other (such as medical/health, provider, agent, property, commercial, life and disability).



Individuals Charged

In 2016, 197 individuals were charged with insurance fraud-related violations; 18 indictments were returned and 179 complaints issued. At the CIFI level, complaints are often taken out by local police assisting the task force or by the IFB investigator at the direction of a prosecutor and probable cause is established through the clerk's office. Individuals charged in 2016 came from multiple types of insurance fraud investigations—the majority were from automobile investigations but medical/health, provider, agent, workers' compensation premium evasion and claimant fraud, commercial, and property fraud cases were also investigated with individuals charged.



Some individuals charged include the following:

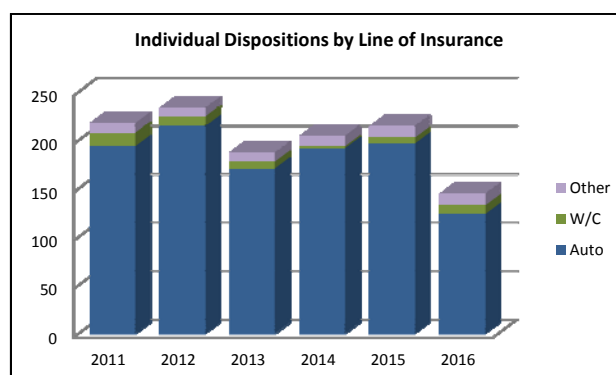
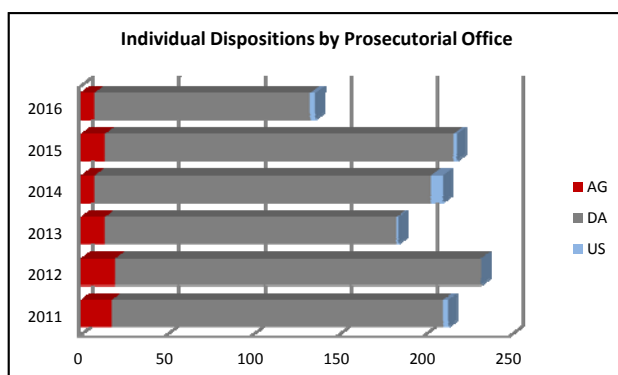
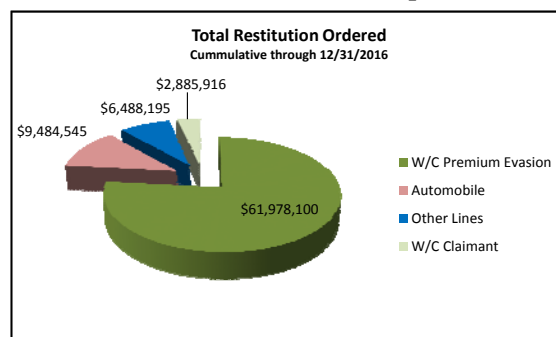
- ◇ A Holyoke woman for allegedly falsely reporting two break-ins to her apartment. She alleged three wrist watches and a total of 27 Air Jordan sneakers were stolen. No signs of forced entry were detected in either reported break-in.
- ◇ A Fall River couple indicted in connection with allegedly failing to disclose the true nature of the work that their company performed. Workers were classified as carpenters rather than roofers.
- ◇ An Abington woman arraigned for allegedly working as a cleaner for a real estate company while collecting workers' compensation benefits for an injury sustained during her employment as a restaurant cook.
- ◇ A Bellingham man arraigned for allegedly falsely reporting that his Mustang Cobra was stolen. Instead, he allegedly advertised the Mustang on Craigslist and then swapped the vehicle for an Audi a week before he reported the Mustang as stolen.
- ◇ A former employee of a pain management clinic was charged in a scheme to falsify patient medical records in order to obtain payments from the Medicare program and commercial insurance companies.

Details on additional cases can be found on the IFB website and in issues of *focusFraud*.

Individual Dispositions

Final dispositions for subjects in a case can take months or years to reach. The court process can be lengthy for state and federal cases because of the overall size and complexity of many of these large cases. In 2016, 18 individuals were convicted and another 58 individuals' cases were continued without a finding. An additional 60 individuals reached a final disposition including pre-trial probation, general continuance, dismissal, acquittal or nolle prosequi.

Individuals may be sentenced to jail time, suspended sentences, probation, restitution, and community service time. Restitution ordered in 2016 was approximately \$1.4 million.



Some convictions from 2016 include the following:

- ◇ Five individuals sentenced in connection with corruptly obstructing a criminal trial. Two were former auto body shop employees who were sentenced to state prison. The other three received probation and were ordered to perform community service.
- ◇ A Watertown businessman sentenced to federal prison and ordered to pay \$875,452 in restitution to the Internal Revenue Service and \$64,944 to the insurer. He hid payroll by paying employees under-the-table to defraud the IRS and the insurer.
- ◇ A former insurance salesman sentenced to 18 months in prison and ordered to pay \$613,806 in restitution. He pleaded guilty to tax evasion in connection with the theft of more than \$470,000 that he stole from three clients.
- ◇ A Milford man pleaded guilty in connection with collecting more than \$18,000 in disability benefits while he continued to work. He was sentenced to six months in the House of Correction, suspended. Restitution has not yet been determined.
- ◇ A Wilmington man admitted to sufficient facts in connection with failing to accurately report the nature of his company's work. The case was continued without a finding for four years and he was ordered to pay \$70,000 in restitution.

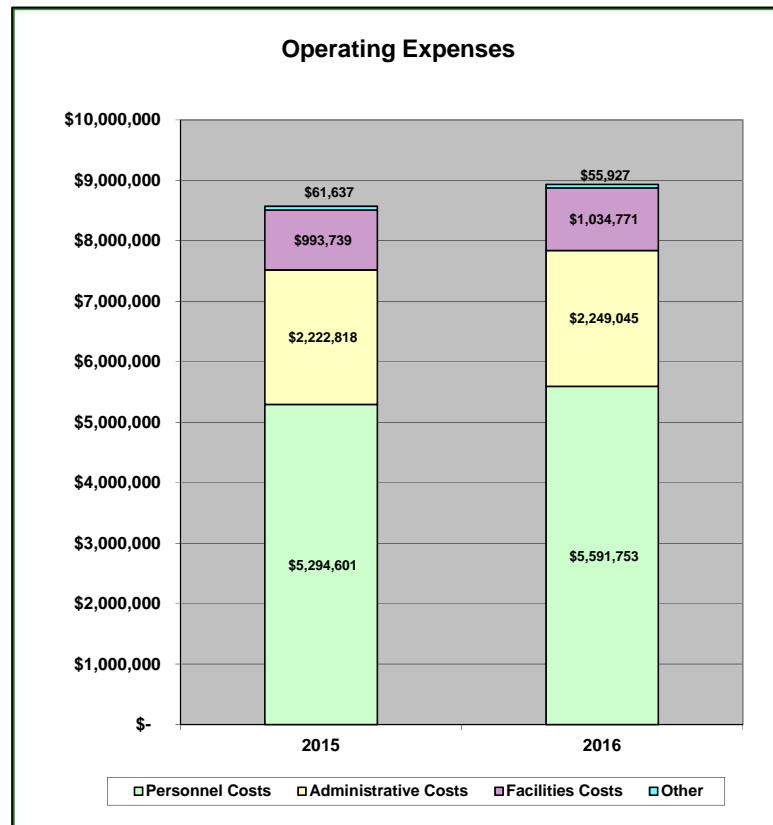
Details on additional cases can be found on the IFB website and in issues of *focusFraud*.

Financials

	2015	2016
Revenues		
Assessment	\$ 9,259,258	\$ 9,318,498
Other Income	<u>1,000,308</u>	<u>575,926</u>
Total Revenue	\$ 10,259,566	\$ 9,894,424
Expenses		
Personnel Costs	\$ 5,294,601	\$ 5,591,753
Facilities Costs	993,739	1,034,771
Administrative Costs	2,222,818	2,249,045
Professional Services	<u>61,637</u>	<u>55,927</u>
Total Operating Expenses	\$ 8,572,795	\$ 8,931,496
D.A. Funding*	500,000	500,000
Other Reserve Funds Uses	63,357	173,610
Net Addition to Reserve Fund	<u>435,499</u>	<u>(97,948)</u>
Net Operating Surplus**	<u>\$ 687,915</u>	<u>\$ 387,266</u>

* As directed by the Commissioner of Insurance

** Amounts returned to the insurance industry in the following calendar year



25th Anniversary Awards Breakfast

The IFB celebrated 25 years of fraud-fighting success on May 26, 2016 at an awards ceremony held at the J.J. Moakley U.S. Court House in Boston. Seventy-three recipients were recognized for significant contributions in the fight against insurance fraud. Honorees were from the insurance industry, law enforcement agencies and prosecutorial offices. At right, Executive Director Daniel Johnson accepts his own award from IFB Board of Governors Chairman Frank Sztuk.



From left, chairman Frank Sztuk, master-of-ceremonies Susan Wornick, Suffolk County District Attorney Daniel F. Conley, former U.S. Attorney Carmen Ortiz and IFB Executive Director Daniel Johnson.

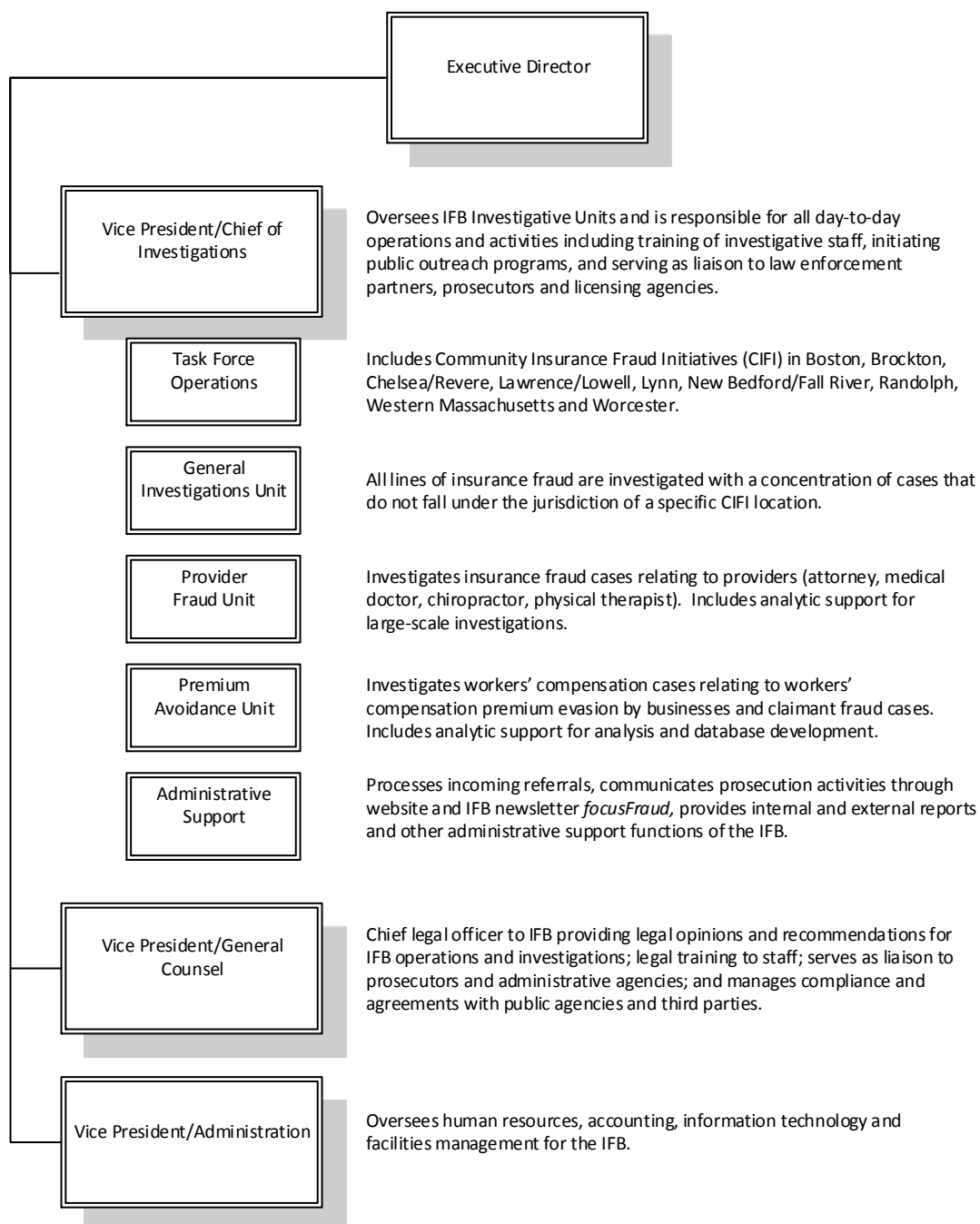


Chairman Frank Sztuk and Boston Police Superintendent-In-Chief William Gross.



Insurance Fraud Bureau

Organizational Units



Officers and Board of Governors

OFFICERS

Daniel J. Johnston, Executive Director
Anthony M. DiPaolo, Vice President, Investigations
Laura A. Kessler, Vice President, General Counsel
Thomas J. Simon, Vice President, Administration

BOARD OF GOVERNORS

Representing the AIB Governing Committee

Arbella Insurance Group
MAPFRE USA Corp.
Metropolitan Group
Safety Group
The Hanover Insurance Group **

Representing the WCRIB Governing Committee

AFL/CIO
A.I.M. Mutual Insurance Company
Liberty Mutual Insurance Company
Thomas J. Woods Insurance Agency
The Travelers Insurance Company

Public Members

Commissioner of Department of Industrial Accidents
Commissioner of Insurance
Registrar of Motor Vehicles
Secretary of Labor and Workforce Development
Secretary of Public Safety

** Denotes board chairman

Committees

COMMITTEE	MISSION	MEMBERS
Audit	Provide oversight on the accounting, financial reporting and auditing practices of IFB.	Liberty Mutual Insurance Company** Metropolitan Group The Travelers Insurance Company
Budget	Review and approve prospective budget plans and staff additions	A.I.M. Mutual Insurance Company Commissioner of Insurance Liberty Mutual Insurance Company** MAPFRE USA Corp. Safety Group
Communications Subcommittee	Examine and discuss communications between IFB and insurers	A.I.M. Mutual Insurance Company Arbella Insurance Group Liberty Mutual Insurance Company MAPFRE USA Corp. Metropolitan Group Safety Group** The Hanover Insurance Group The Travelers Insurance Company
Long Range Planning	Guide long-term direction of IFB activities; designate line of business priorities, geographical orientation and IFB legislative initiatives	AFL/CIO Arbella Insurance Group Commissioner of Department of Industrial Accidents Metropolitan Group** The Travelers Insurance Company
Personnel	Approve personnel related plans and programs, including salary structures, job grades and ranges and benefit packages	Liberty Mutual Insurance Company Registrar of Motor Vehicles Secretary of Labor and Workforce Development The Hanover Insurance Group** Thomas J. Woods Insurance Agency
Tip Reward	Review and approve reward payments to informants for tips which lead to the prosecution of insurance fraud perpetrators, as part of the approved IFB Tip Reward Program	Arbella Insurance Group Liberty Mutual Insurance Company ** MAPFRE USA Corp. Safety Group Secretary of Public Safety

** Denotes committee chairman